

## Message Text

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ACTION EB-08

INFO OCT-01 EA-12 ISO-00 TRSE-00 AID-05 CIAE-00  
COME-00 FRB-01 INR-10 NSAE-00 ICA-20 XMB-04  
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15  
STR-07 CEA-01 PA-02 /105 W  
-----005463 150336Z /70

R 140445Z APR 78

FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC 8130  
INFO AMCONSUL MEDAN  
AMCONSUL SURABAYA

UNCLAS JAKART 4831

E.O. 11652: N/A

TAGS: EINV, ID

SUBJ: NEW INVESTMENT PRIORITY LIST

1. THE CAPITAL INVESTMENT COORDINATING BOARD ANNOUNCED FEBRUARY 15 AN UPDATED VERSION OF THE INVESTMENT PRIORITY LIST FIRST PUBLISHED ONE YEAR AGO. WHEN PRINTING OF THE ENGLISH LANGUAGE VERSION IS COMPLETED, COPIES WILL BE SENT TO DEPARTMENTS OF STATE AND COMMERCE AND TO OPIC.

2. THE NUMBER OF SPECIFIC INDUSTRIES LISTED HAS BEEN EXPANDED FROM 763 LAST YEAR TO 1,096. THE INCREASE IS DUE PRIMARILY TO A RISE IN THE NUMBER OF TRANSPORTATION EQUIPMENT INDUSTRIES(MOSTLY MOTOR VEHICLE COMPONENTS) FROM 50 IN 1977 TO 306. CONTRARY TO SOME LOCAL PRESS REPORTS, THE GOI HAS NOT SHARPLY RESTRICTED THE NUMBER OF INDUSTRIES OPEN TO FOREIGN INVESTORS. THE NUMBER CLOSED TO FOREIGNERS HAS INCREASED FROM 371 TO 492 WITH THE INCREASE BEING RATHER EVENLY PARCELED OUT AMONG THE NINETEEN SECTORAL CATEGORIES. HOWEVER, BECAUSE OF THE OVERALL INCREASE IN LISTED INDUSTRIES, THE PERCENTAGE OF THOSE CLOSED TO FOREIGNERS HAS DECLINED FROM 48.6 TO 44.9.  
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MOREOVER, OF THOSE INDUSTRIES OPEN TO FOREIGNERS(604 THIS YEAR AS COMPARED WITH 392 LAST YEAR) 67.0/0 (407) ARE PRIORITY INDUSTRIES WHICH QUALIFY THE INVESTOR FOR MAXIMUM INCENTIVES, AS COMPARED WITH 61.5 PCT LAST YEAR.

3. PRIORITY SECTORS FOR FOREIGN INVESTMENT INCLUDE AGRICULTURE, WHERE 42 OF 55 SPECIFIC INDUSTRIES ARE PRIORITY

AND ONLY NINE ARE CLOSED. OTHERS ARE TRANSPORTATION, PARTICULARLY MOTOR VEHICLE COMPONENTS; ENGINES AND MACHINES, WHERE THE EMPHASIS IS ON DIESELS, MACHINE TOOLS, AND AGRICULTURAL AND CONSTRUCTION EQUIPMENT; PULP AND PAPER PRODUCTS; BASIC CHEMICALS; AND SYNTHETIC FIBRES. SECTORS IN WHICH FOREIGN INVESTMENT IS GENERALLY NO LONGER WELCOME INCLUDE FOOD, TEXTILES, CHEMICAL INDUSTRIES, CONSUMER ELECTRONIC APPLIANCES, AND SERVICES. MANY OF THE RATINGS ARE QUALIFIED BY REQUIREMENTS TO LOCATE OUTSIDE JAVA, TO EXPORT SOME OR ALL OF THE PRODUCT, AND, HEAVILY EMPHASIZED, TO INCLUDE "ECONOMICALLY WEAK" GROUPS.

4. IN RESPONSE TO QUESTIONING FROM PARLIAMENTARIANS, THE CAPITAL INVESTMENT BOARD STATED RECENTLY THAT INDONESIA'S ABILITY TO ATTRACT NEW FOREIGN INVESTMENT DEPENDED ON ATTRACTIVE INVESTMENT INCENTIVES, PARTICULARLY IN THE PLANTATION SECTOR. (THIS POINT WAS EMPHASIZED TO MEMBERS BY BOARD CHAIRMAN HALIM IN A RECENT CONVERSATION.) THE BOARD MAINTAINED THE FOREIGN INVESTMENT FOR THE COMING YEAR WOULD BE AT A SATISFACTORY LEVEL AND THAT ITS PRINCIPAL SOURCES WOULD BE JAPAN, THE MIDDLE EAST AND, TO A LESSER EXTENT, THE FRG. "TAX DISINCENTIVES" FOR OVERSEAS INVESTMENTS WERE CITED AS THE REASON THAT NEW FOREIGN INVESTMENT FROM THE US MIGHT CONTINUE TO BE LOW. ALONG WITH IMPROVED INVESTMENT INCENTIVES THE BOARD ALSO RECOGNIZED THE NEED FOR GREATER PROMOTIONAL ACTIVITY IF SATIS-

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FACTORY INVESTMENT LEVELS ARE INDEED TO BE ACHIEVED.  
MASTERS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, PUBLICATIONS, INDUSTRY, INVESTORS  
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**Copy:** SINGLE  
**Draft Date:** 14 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:**  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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